MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, IN 46204
April 11, 2003

EXECUTIVE SESSION

Trustees Present
Jonathan Birge, Chair
Richard Doermer, Vice Chair
Garland E. Ferrell
Connie R. Thurman
Nancy Turner

Others Present
Forest Bowman, Attorney-at-Law
Craig Hartzer, Executive Director
Bruce Kimery, Chief Benefits Officer

The Board met in Executive Session to discuss matters under IC 5-14-1.5-6.1(b)(6). No other matters were discussed by the Board in the Executive Session.

REGULAR SESSION

Trustees Present
Jonathan Birge, Chair
Richard Doermer, Vice Chair
Garland E. Ferrell
Nancy Turner

Trustees Absent
Connie R. Thurman

Others Present
Mary Beth Braitman, Ice Miller
Stephanie Braming, Mercer Investment Consulting
Doug Todd, McCready & Keene, Inc.
Scarlettt Ungurean, Mercer Investment Consulting

PERF Staff
Craig Hartzer, PERF Executive Director
Caroline Bradley, PERF Internal Auditor
Diann Clift, PERF MIS Director
Patricia Gerrick, PERF Chief Investment Officer
Ed Gohmann, PERF Legal Counsel
Leisa Julian, PERF Chief Financial Officer (designate)
Bruce Kimery, PERF Chief Benefits Officer
Lynda Duncan, Minute Writer

<u>ITEMS MAILED TO THE BOARD PRIOR TO MEETING.</u>

A.   Agenda of April 11, 2003
B.   Minutes:
   ❑ March 14, 2003 Board of Trustees Meeting
C.   Year-to-Date Expenses Update

I.   <u>APPROVAL OF MINUTES.</u>

MOTION duly made and carried to approve the Minutes of the March 14, 2003 Board of Trustees Meeting.

Proposed by: *Garland Ferrell*
Seconded by: *Richard Doermer*
Votes: *4 for, 0 against, 0 abstentions.*

II.   <u>OLD BUSINESS.</u>

A. <u>Legislative Update.</u> Mr. Gohmann provided a status report for legislation concerning public pensions that is being considered in the current legislative session. He noted that this legislative session was coming to an end and that conference committees would soon begin meeting.

B. <u>Operations Update.</u> Mr. Kimery provided an overview of the operational side of the agency.

➢ <u>Staff Issues.</u> Sixteen of 19 authorized positions had been converted from temporary to permanent positions. The remaining three positions would be converted in due course.

➢ <u>Security Checks.</u> All PERF employees have completed Level 1 security and fingerprint checks.

➢ <u>SIRIS Update.</u> PERF and TRF continue to hold their weekly meetings at the Executive Director level to address the PIR backlog. The goal is to have outstanding work completed by June 30, 2003. A Request for Proposal (RFP) has been issued to find an alternative contractor to carry out the programming required to implement mandatory legislative changes and responses are due by April 25, 2003.

➢ <u>PERF Policies.</u> A PERF Policy Working Group, comprising members from various PERF divisions, has been formed to provide recommendations for revisions to and development of PERF policies. Currently, 25 policies are under review. Recommendations will be made to the Executive Director or the Board for approval of amended/new policies.

➢ <u>Building Committee.</u> A PERF Building Committee has been formed to move divisions from Building 125 and to consolidate everyone in Building 143. Plans include constructing a Customer Service Center on the ground floor of Building

143. The Customer Service Center is scheduled to be completed and operational by the end of October 2003.

➢ Disaster Recovery Plan. Staff is in the process of developing effective evacuation and emergency plans and is identifying off-site locations from where PERF could operate in a crisis situation.

➢ PERF Budget. Mr. Kimery noted that there were no significant variances in the budget. Work is progressing to finalize the FY 04 Budget by July 1, 2003. An Audit and Budget Committee meeting has been scheduled to be held on May 1, 2003.

III. NEW BUSINESS.

A. Committee Reports. All Board members had been present at the Investment Committee meeting and the Benefits Administration Committee meeting held that morning, and it was noted that matters arising from those meetings would be recorded in the respective Minutes. Ms. Turner referred to discussion during the Benefits Administration Committee meeting concerning members receiving retirement counseling. On completion of counseling sessions, members were being asked to complete a customer service evaluation form. These were being returned with extremely high scores. This spoke well for the improvements being made within the PERF Benefits Administration Department.

IV. REPORT OF EXECUTIVE DIRECTOR.

A. PERF Staff Meeting. On March 25, the Executive Director had briefed all members of PERF's staff on PERF's accomplishments and challenges. A similar presentation will be given every two months. Highlights of the presentation had included:

➢ PERF's total head count will be 107 permanent employees following transition from temporary to permanent employees.

➢ Various staff committees had been formed to address such issues as policy review, building plans and consolidation, and security measures. It was noted that PERF staff was now subject to a very high level of security screening.

➢ SIRIS challenges were addressed.

➢ An overview was provided of PERF's asset allocation and Fund performance. The ASA options were reviewed. It was noted that 85% of PERF's members were invested in the Guaranteed Fund.

➢ PERF's core values were reviewed and details of a change management initiative were provided.

➢ Outreach. The Executive Director advised of his meetings with Indiana Association of Cities and Towns (IACT) and the Association of Indiana Counties (AIC). At both meetings, the members had expressed a common desire for PERF

to provide world-class service. PERF continues to pursue IT security and physical security in a more systematic manner and is in the process of meeting with three computer companies that specialize in computer security.

B. <u>Future Key Issues.</u>

➢ PERF Budget for FY 04 is being developed.

➢ Change Management initiatives are underway.

➢ Contribution Rates are being determined. The effective date for any State contribution rate change is July 1, 2003. The effective date for municipalities is January 1, 2004. This subject usually generates a great deal of interest throughout Indiana.

➢ The quarterly newsletter is being printed and will be issued with the quarterly statements.

C. <u>Discussion.</u>

➢ Mr. Birge noted that many exciting developments were underway at PERF. Mr. Ferrell noted that PERF was doing an outstanding job trying to resolve some of the past issues and to develop new initiatives for the future. Great progress had been made in a very short time.

➢ <u>Computer Security Issues.</u> In the past, information provided by SIRIS had included details of Social Security numbers, dates of birth, addresses, etc. By adding additional security layers, such information was now embedded more deeply in the computer system and an activity log would identify anyone accessing this information. Additionally, TRF and PERF can only see each other's demographic data and can no longer access personal data of another Fund's members. For members of both TRF and PERF, both funds can only see demographic information for that person.

➢ <u>Covansys.</u> The target date for Convansys to complete the PIR punch-list is June 30. This is the date by which all changes agreed upon should be implemented and PERF had checked that this had been done to a satisfactory level. Some progress is being made but it seems unlikely that this deadline will be met.   Discussions are underway on PERF's strategy for the future regarding computer support. Mr. Doermer noted that any decision would take into consideration the prime aim to have all tools necessary to provide a high level of service to all members and retirees. Mr. Kimery noted that the first step would be to receive the responses from the RFP for legislative changes. A decision would then be made as to how to support the system (in-house, external provider, hybrid system). System software is available, but the configuration of the SIRIS system is complex.

V. <u>DATE OF NEXT MEETING.</u> The next meeting will be held on May 9, 2003.

VI.   <u>ADJOURNMENT.</u> There being no other business, the meeting was adjourned.

Proposed by: *Richard Doermer*
Seconded by: *Garland Ferrell*
Votes: *Four in favor, 0 against, 0 abstentions*